



Department for  
Energy Security  
& Net Zero

# Oil and Gas Authority Review 2022

June 2023



# **North Sea Transition Authority (Oil and Gas Authority) Review 2022**

Presented to Parliament pursuant to Section  
16(5) of the Energy Act 2016 by the Secretary  
of State for Energy Security and Net Zero

June 2023



© Crown copyright 2023

This publication is licensed under the terms of the Open Government Licence v3.0 except where otherwise stated. To view this licence, visit [nationalarchives.gov.uk/doc/open-government-licence/version/3](https://nationalarchives.gov.uk/doc/open-government-licence/version/3).

Where we have identified any third party copyright information you will need to obtain permission from the copyright holders concerned.

This publication is available at [www.gov.uk/official-documents](https://www.gov.uk/official-documents).

Any enquiries regarding this publication should be sent to us at [OGEPcorrespondence@beis.gov.uk](mailto:OGEPcorrespondence@beis.gov.uk).

ISBN 978-1-5286-4056-5

E02897941 06/23

Printed on paper containing 40% recycled fibre content minimum.

Printed in the UK by HH Associates Ltd. on behalf of the Controller of His Majesty's Stationery Office.

# Contents

Background	3
List of Recommendations	5
Executive Summary (ALB Review)	7
Overall	7
Efficacy	8
Efficiency	10
Governance	11
Accountability	12
Statutory Functions	14
Overview	14
Further functions of the NSTA relating to offshore petroleum	16
Considering and resolving disputes	16
Appeals against NSTA decisions	18
Information gathering, retention and disclosure	19
Requiring attendance or provision of documents to be referred to at a meeting	22
Sanctions	24
Disclosure	25
Carbon Capture, Usage and Storage	26
Decommissioning and re use of infrastructure	27

Offshore CO <sub>2</sub> Storage	28
CCUS Business Models	30
Annex A – Basis of the NSTA Review	32
Annex B – Functions of the NSTA	35

# Background

1. The Oil and Gas Authority is now known as the North Sea Transition Authority (NSTA), though the Oil and Gas Authority continues to be its legal identity. All references within this report to the NSTA refer to the legal entity the Oil and Gas Authority.
2. The NSTA was a Department for Business, Energy and Industrial Strategy Non-Departmental Public Body until the Machinery of Government changes announced in February 2023. The NSTA is Sponsored by the Department for Energy Security and Net Zero (DESNZ) and is a government company whose sole shareholder is the Secretary of State for Energy Security and Net Zero, with headquarters in Aberdeen. The organisation is responsible for regulating and influencing the oil, gas and carbon storage industries and holding industry to account for halving upstream emissions by 2030. It seeks to maximise the economic recovery of the UK's oil and gas resources.
3. The legislative framework for the organisation is contained within the Energy Act 2016 (the Act) and requires the DESNZ Secretary of State to review the NSTA's performance at least every three years, beginning on the day on which Section 1 of the Act came into force. This report is the second review of

the NSTA, following publication of the previous report in 2019.

4. The Act requires that the Secretary of State should specifically consider the NSTA's functions in relation to offshore petroleum, and the storage of carbon dioxide with regard to their fitness for purpose and scope. If there is cause during the course of the review to consider the NSTA's functions and legislative base in new or expanding areas, the review should also look at those.
5. In 2022 the Cabinet Office published a new programme of Public Body Reform, including an ALB Review Programme. Given the NSTA was classified since the previous statutory review, this report details how the NSTA has been reviewed against both the Cabinet Office Public Bodies Review Programme guidance and the statutory requirements within the Act.
6. The NSTA Board of Directors is responsible for setting the NSTA's strategic direction, policies and priorities. DESNZ Policy Directors job-share, and also share the role of representing the department, as shareholder representatives on the NSTA Board of Directors.



# List of Recommendations

7. The below recommendations were concluded following analysis and assessment of the evidence gathered through the review, meeting the requirements of the Cabinet Office ALB review guidance and the Act. The review applied a quality assurance process utilising policy sponsors and corporate governance business partners within the department to refine the evidence. Once the assessment of evidence was concluded the review team identified the following recommendations.

## Efficiency

- 1) The policy sponsor team and the NSTA to consider adoption of the Shared Services Strategy as and when current existing systems come to an end, and assess if the strategy on offer is able to meet the organisation's requisite service needs.

## Governance

- 2) The updated framework document be expedited for publication to ensure it is completed before the end of March 2023. [Recommendation completed 1<sup>st</sup> March 2023].
- 3) Policy Directors to strengthen the arrangements for how DESNZ monitors the NSTA performance with respect to the reporting of management

information (MI), progress against objectives, risk management and financial performance.

## **Accountability**

- 4) As per Cabinet Office requirements, priorities for the NSTA should be set out in an annual chair's letter issued by the responsible minister (or PAO, if delegated) and which should confirm the SMART outputs or objectives for the NSTA to deliver.

# Executive Summary

## (ALB Review)

### Overall

8. The review team concluded that although there has been a development to key objectives for the organisation since the last review was undertaken, including increased scope of responsibilities linked to UK net zero objectives, the principal powers and functions of the NSTA are still required. The traditional responsibilities of the NSTA (maximising efficiency of North Sea oil and gas extraction) are even more pertinent as the UK has faced energy price challenges and is striving for greater security of energy supply.
9. Taking into account the government's three tests for the creation (or continued existence) of an ALB, it is clear that the NSTA retains a technical function, which utilises technical expertise currently held only outside of the department. The nature of the technical expertise required to make informed decisions and licence granting as a process remain activities which should be delivered with political impartiality, and independently of ministers.
10. In light of the evidential findings, which are provided in more detail below, the review team consider it appropriate to conclude that this review meets the

requirements of the ALB review programme and the requirements to undertake a review pursuant to the Act.

11. Despite this, the NSTA self-assessment model data provided several areas where the organisation or department could make minor changes to the benefit of all stakeholders. The evidence recorded an area for improvement under Accountability, 2 minor areas under Efficacy and 3 minor areas under Efficiency. These are detailed below and represent the 4 key areas of the ALB review scope, which overlap with statutory requirements.

## **Efficacy**

12. It is clear that there is a continued need for the organisation to exist and for this to be at arms-length from central government. The NSTA has a clear purpose and the NSTA's revised Strategy has been updated to reflect the energy transition, including increasing efforts to reduce production emissions and support carbon capture and storage projects.
13. Working closely with the oil and gas sector, and raising funding through an industry levy, creates a need for political impartiality within the NSTA. The organisation retains specialist technical expertise, for example, spatial planning knowledge for carbon storage.

14. The function and form of the NSTA has come under much internal scrutiny. The previous Secretary of State (for Business, Energy and Industrial Strategy) considered scoping options for merging the NSTA with other ALBs. This included consideration of potential efficiencies, however, there was insufficient evidence that such a merger would provide this benefit. Furthermore, there is also insufficient similarity between the respective organisational responsibilities to consider merging with the NSTA or seeking to change the delivery model.
15. Whilst the NSTA does not directly deliver services to the public, a Stewardship Survey is conducted annually to collect direct data from NSTA levy payers and maintains strong relationships with oil and gas, government and the supply chain. Given the lack of direct public service delivery, the review team do not consider the provision of real-time data would provide value for money and no recommendation is required for the NSTA to change this, despite the review evidence indicating this as a potential area of improvement.
16. The NSTA Corporate Plan provides for clear objectives in the period 2022-2027, including KPIs across the broad workstreams for the organisation. These are reported on and published annually.

# Efficiency

17. The NSTA raises the substantial majority of its revenue through a levy on the oil and gas industry or in fees for services provided (e.g. licenses). Whilst the organisation holds a small amount of debt (£0.5m) in the form of a capital loan from BEIS (now DESNZ), this has reduced by 30% in the last year. As an organisation, staff numbers have grown by 5.4% in line with a board approved headcount limit increase. This headcount increase reflects increased expectations for work delivered by NSTA, in particular the increased responsibility for licensing carbon capture, usage and storage (CCUS), a key part of delivering net zero.
18. Additional staff spend outside of core FTE (e.g. temporary staff costs) has reduced from 2015-16 through to 2021-22 and that downward trajectory is expected to continue, as a result of the organisation growing in maturity and developing its ability to strategically plan resource appropriately.
19. The DESNZ Shareholder Directors have responsibilities as board members and consider that the board make economic analysis an important part of the decision-making process, based on accurate and substantial data.
20. The NSTA receives some funding from DESNZ to deliver non-leviable activities for government and the

funding is accounted for in accordance with IAS 20. The NSTA raised levy funding for the year (21-22) of £30.0M and fees and charges of £2.5M to cover the core costs of running the organisation. Departmental grants are provided to cover specific work streams relating to non-leviable expenditure so are recognised as the NSTA incurs the costs for which this funding is intended to compensate. DESNZ also provides funding for capital expenditure. At the point the NSTA incurs capital costs which give rise to a right to capital funding from DESNZ, the company recognises both an asset and capital loan owed to DESNZ.

21. The organisation is undertaking additional work as Carbon Capture and Storage develops, in line with the government's net zero agenda. This will incur additional income as grant-in-aid from relevant DESNZ CCUS teams.
22. Whilst not currently utilising shared services, the organisation will consider adoption of the shared services strategy when existing services are due to be replaced.

## **Governance**

23. The NSTA self-assessment model contained no governance issues. Evidence was provided that demonstrated an internal drive towards self-evaluation and continuous improvement, for instance, it is noted that an external board effectiveness

review was undertaken as required, with evidence of those recommendations which materialised being implemented and monitored.

24. The NSTA's Framework Document was recently updated to reflect updated HM Treasury guidance, the OGA strategy, and the organisation's values and responsibilities. This was published in March 2023, meeting **recommendation 2**.
25. The attendance of the DESNZ Shareholder Director on the NSTA Board enables the department to be assured as to the performance of the NSTA, including with respect to the reporting of MI, progress objectives, risk management and financial performance. The review team consider that this could be further strengthened, though it is a helpful tool for departmental Shareholder Directors to see performance as discussed within the context of the NSTA Board. The DESNZ Policy Directors can strengthen Governance arrangements by ensuring performance of the NSTA is also monitored and assessed outside of attendance at the NSTA Board (**see recommendation 3**).

## Accountability

26. The NSTA evidence indicated that, as per previous guidance, no Chair's letter had been sent within a year. Beyond this, there were no identified accountability issues within the model. Given the



updated expectation developed through the Cabinet Office's 2022 Sponsorship Code of Good Practice, the department should ensure that a Chair's letter is sent annually (**see recommendation 4**).

27. The review findings indicate that under the requirement for accountability meetings to discuss organisational progress against objectives, risks and financial performance, attendance at the board by the Shareholder Director was the evidence provided.
28. The self-assessment model references that the department's Policy Deputy Director meets monthly with the NSTA Director of Strategy to review policy development and associated risks, therefore, this indicates that effective sponsorship could be improved through a more formal and regular pattern of meetings, including the attendance of Policy Directors, that also encompass monitoring financial performance and progress against objectives. This would provide a greater sense of accountability to the department which goes beyond attendance at the board and will enable more effective discussions (**see recommendation 3**).

# Statutory Functions

## Overview

29. The NSTA has been granted significant regulatory powers to enable it to fulfil its functions as set out in legislation. The Act sets out that a review must take place at least every three years to assess how effective the NSTA has been in exercising its functions. The NSTA's (OGA's) functions are listed in Annex B.
30. For the first three year review in 2019, the government adopted the Cabinet Office's "Tailored Review" process, which has now been replaced with the ALB Review Programme.
31. The NSTA's statutory functions have not changed since 2019, although the OGA Strategy was revised in 2021, and now reflects the ongoing energy transition, and features a range of net zero obligations on the oil and gas industry, including stepping up efforts to reduce production emissions, support carbon capture and storage projects and unlock clean hydrogen production. There have also been revisions made to the NSTA's Framework Document setting out how the NSTA works with its sponsor department, and proposed new powers are currently included in the Energy Bill, introduced into Parliament in July 2022, intended to allow the NSTA

to identify and discourage potentially undesirable changes control of carbon storage and petroleum licensees before they happen rather than remedy them after they have taken place.

32. We are satisfied that the statutory review requirement to assess how effective the NSTA has been in exercising its functions has been met via the self-assessment model as part of the ALB review process, in particular through the review quadrant on “efficacy” detailed above.
33. This chapter of the report reviews the fitness for purpose and scope of the relevant functions as set out in legislation. Overall, we have assessed the NSTA’s performance and are satisfied with it. We are aware that work is underway to evaluate, update and improve processes in relation to a particular obligation, which we are satisfied does not impact more widely on our assessment of the NSTA’s fulfilment of its statutory functions. As part of this assessment, we have specifically considered the scope and fitness for purpose of functions under s16(4) of the Act and we are satisfied that those are sufficient. The following summary sets this out in more detail.

# Further functions of the NSTA relating to offshore petroleum

## Considering and resolving disputes

34. The NSTA has a range of formal powers which can be used to resolve disputes and it separates ‘issues’, where it seeks primarily to influence the outcome, from ‘cases’, where it will consider formal intervention with regulatory powers. It has developed a process of measured escalation to track and transition issues and cases. When considering whether or not to take action using formal powers, the NSTA will review the relevant issue alongside its prioritisation criteria.
35. We have seen no evidence to suggest that the action taken by the NSTA in resolving disputes is insufficient. It is clear that it has transparent and effective processes in place to address disputes between relevant persons and ensure compliance with regulatory obligations as set out in detailed guidance and regulatory decisions, accessible through the NSTA website. As was found in the 2019 review, the NSTA continues to demonstrate that it understands there is a fine balance between regulating and influencing operators, and it approaches issues with a graduated response that aims to use its influence to achieve a resolution before resorting to formally using powers, as highlighted by the clear escalation and

prioritisation process, as well as through the NSTA's willingness to work with industry.

36. The NSTA has highlighted in its Annual Report 2022 that it remains committed to using its powers, where appropriate, in a proportionate and fair way to ensure North Sea licensees steward their assets properly, and it is looking to industry to adhere to their licence conditions. We have seen evidence of the NSTA using its powers to consider and resolve disputes effectively, most notably through the NSTA Case Register, which is publicly available, and records details of disputes currently being investigated along with final decisions and links to any sanctions.
37. The NSTA has also highlighted its view that some matters could be better addressed by the parties themselves through mediation, and in February 2020 the NSTA launched a year-long 'UK Continental Shelf (UKCS) Mediation Pilot'. The pilot aimed to test the extent to which mediation can resolve certain disputes between oil and gas licensees, operators and infrastructure owners in the UKCS. Owing to the unusual operating conditions caused by the Covid-19 pandemic there was limited take-up and the NSTA has since extended the pilot until at least 6 mediations have taken place or 31 December 2023. To date, two mediation sessions with parties have been undertaken and there has been positive feedback from those involved. The NSTA is collecting more data before deciding how

to progress and intends then to properly assess the value of mediation for the sector.

38. In October 2020 NSTA began work with industry to drive improvements in the management of licences, after a review showed patchy compliance in some areas. On the back of this it published its ‘Thematic Review into Industry Compliance with Regulatory Obligations’<sup>1</sup>. The review recognises that industry is improving, following earlier interventions, but stresses the importance of maintaining the high standards now achieved by the majority, and the need for a minority to catch up. In particular, the review noted that there remains room for improvement around managing production, flare and vent consents and the timeliness of licence extension requests.

## **Appeals against NSTA decisions**

39. The Act makes provision for appeals against certain decisions and actions of the NSTA to the First Tier Tribunal (General Regulatory Chamber) regarding disputes, information and samples, meetings and Sanctions Notices. A right of appeal to the Tribunal against a Sanction Notice may be based on the grounds that there was no failure to comply or on the sanction imposed by the Sanction Notice. Appeals

---

1 <https://www.nstauthority.co.uk/news-publications/publications/2020/the-oga-s-final-report-on-its-thematic-review/>

are time limited. To date there have not been any examples of appeals against NSTA decisions and as such we have seen no evidence to suggest that the provisions around appealing NSTA decisions are not fit for purpose or of sufficient scope. The lack of appeals could imply that NSTA's decisions are considered appropriate, and that dispute handling processes have remained fit for purpose.

## **Information gathering, retention and disclosure**

- **Retention of information and samples**
- **Requiring information and samples**
- **Disclosure of information and samples**

40. In 2016 and 2017 the NSTA commenced new data regulations under the Act. These were:

- The power to request information and samples under section 34 of the Act
- The requirement to appoint an Information and Samples Coordinator
- The requirement to submit Information and Samples Plans in connection with certain licence events.

41. Additionally, in 2017, it consulted on new regulations for the retention and disclosure of Information

and Samples. These regulations were laid before Parliament and commenced in 2018.

42. As recommended by the 2014 Wood Review, the NSTA aims to make information and samples publicly available as soon as possible. In the public interest, the NSTA makes a large amount of information, including reports, freely available to industry, academia and others through the NSTA website, which includes a written statement outlining its commitment to being open and transparent.
43. In February 2019 the NSTA launched the National Data Repository (NDR) for petroleum-related information and samples. Registered users of the NDR may search, view and download disclosed information free of charge or order data for delivery on media, on a cost reflective basis. Within a year of its launch, the NDR was receiving around 350 visitors a day. The NDR is supporting Maximising Economic Recovery from the UK Continental shelf, with the easy availability of data helping companies make better decisions on exploration and investment, for example, and supports Net Zero, as it allows information held to be reassessed for suitability for carbon storage and offshore wind developments.
44. On 1 March 2019, the NSTA issued its first reporting notices under section 34 of the Act, requesting the statutory reporting of technical information including well, geophysical, production, infrastructure and



pipeline data to the NSTA and well samples to the British Geological Survey (BGS).

45. Offshore technical information is made available either through the NDR or the NSTA's Open Data pages. Samples are made available for inspection by the BGS. Full details of confidentiality periods under the licence model clauses and the Act are available in Petroleum Operations Notice (PON) 9 and the NSTA's Guidance on the Reporting and Disclosure of Information and Samples.
46. The NSTA's Open Data site<sup>2</sup> is freely available for members of the public to access and republish as they see fit under the terms and conditions as set out in the Open Government Licence. In addition, the NSTA has an online data centre<sup>3</sup>.
47. In 2021, the NSTA published updated guidance intended to aid understanding of what specific Information and Samples must be reported, where (or to whom) they must be reported, the timescales allowed for reporting, the "form and manner" in which the Information and Samples must be reported and how, if applicable, the NSTA will disclose the Information and Samples.

---

2 <https://www.nstauthority.co.uk/data-centre/nsta-open-data/>

3 <https://www.nstauthority.co.uk/data-centre/>

48. The NSTA has previously consulted on its data powers, with industry being generally supportive of the NSTA being able to collect and disclose relevant data which accelerates the development of projects and enables them to become operational as soon as possible. A consultation on amending the Act's disclosure rules, which would allow the earlier disclosure of items reported late, received strong support from industry.

## **Requiring attendance or provision of documents to be referred to at a meeting**

49. The NSTA may require a relevant party to a dispute to send an individual to act as its representative at a meeting with the NSTA for the purpose of participating in proceedings relating to decisions to consider disputes and making recommendations. The NSTA can require that the individual sent to attend the meeting has the necessary knowledge and expertise for participating and must give reasonable notice of any meetings at which attendance is required.

50. NSTA systematically uses its statutory power to require attendance at meetings or see documents referred to at meetings. Guidance on this was updated in October 2022 and the list of those in

scope is comprehensive<sup>4</sup>. In addition, on page five of the guidance, the 'Major Project Meetings' clause encompasses any project decision in the UKCS. The 'meetings' email address in the guidance is linked to an Outlook calendar where all meetings to which NSTA is invited are shown. The NSTA Area Team which runs this process reviews all upcoming meetings monthly to decide if there is a strategic need to attend one of them. Very often the NSTA receives the information it needs from the meeting papers and does not need to attend meetings. The team tracks all the meetings, recording whether they are attended and why.

51. NSTA powers have been used to resolve disputes as part of a process, and joint venture partners have told the NSTA that behaviours would have been different in meetings had the NSTA not been present.

---

4 <https://www.nstauthority.co.uk/regulatory-framework/meetings-statutory-notice/>

## Sanctions

52. The NSTA may conclude that there is sufficient initial evidence which merits a full Investigation into a potential failure to comply with a petroleum-related requirement. In such cases, it is likely to handle the matter in accordance with its sanctions procedure, which seeks to conform with the principles of effective regulation, which are that it should be transparent, targeted and consistent.
53. In an open letter to licensees and infrastructure owners in June 2019, the NSTA signalled an evolution in its regulatory approach to that which it had followed in the early years of its existence. It set out that initially the NSTA had taken an incremental regulatory approach, gradually increasing the intensity or seriousness of interventions as issues became critical or progressed too slowly, but that it was now to become progressively more proactive in the use of its powers. It expected that its new approach would lead to it taking on more cases, and intended to be more transparent in the work it was doing around use of its regulatory powers.
54. This has been evidenced across the three years covered by this review, with the NSTA issuing sanctions, including significant fines against operators on several occasions.
55. Sanctions are not the only action the NSTA can or does take. For example, following an investigation

into the sale of interests in producing fields the NSTA set out a range of recommendations about where improvements may be made when licensees collaborate.

56. The NSTA has a transparent, effective and consistent approach to issuing sanctions, with its sanctions procedure, investigations and decisions clearly described in publicly available documents and through the sanctions case register, available online. Whilst sanctions are not the only course of action the NSTA can take, it is evident that the NSTA has been effective in exercising its sanctions function, and been increasingly willing to do so to help drive desired outcomes. The scope and fitness for purpose of the NSTA's sanctions function remains sufficient and appropriate.

## Disclosure

57. NSTA disclosure powers cover the provision of samples and protected material such as geological surveys and we note that additional regulations were introduced in 2018 – *The Oil and Gas Authority (Offshore Petroleum) (Disclosure of Protected Material after Specified Period) Regulations 2018* – setting out the time at or after which the NSTA may publish or otherwise make available petroleum-related information and samples, enabling their use by industry generally and the wider public. The scope and fitness for purpose of the current disclosure

powers have been sufficient but consideration is being given to enhancing these to support the OGA Strategy that came into force in February 2021. In addition, further disclosure powers may assist in achieving the development of carbon storage projects.

## Carbon Capture, Usage and Storage

58. During this review period, carbon capture, usage and storage (CCUS) has evolved significantly in the UK. In November 2020, the government announced its ‘10 Point Plan for a Green Industrial Revolution’<sup>5</sup>. This set out the government’s aim to establish CCUS in at least two industrial clusters by the mid-2020s and a further two by 2030. A CCUS Cluster Sequencing Process has been launched, and substantial policy development has taken place. The CCUS industry has also made significant investments and projects are developing at pace and at scale right across the UK. In October 2021, the government also announced in the ‘Net Zero Strategy’<sup>6</sup> its ambition to capture and store 20-30 MtCO<sub>2</sub> per year by 2030, with 10Mt of this capacity to be delivered by ‘Track-2’ clusters.

---

5 <https://www.gov.uk/government/publications/the-ten-point-plan-for-a-green-industrial-revolution>

6 <https://www.gov.uk/government/publications/net-zero-strategy>

59. Against this backdrop, the NSTA's role as the designated CO<sub>2</sub> storage licensing authority has also evolved. The NSTA's technical expertise and established working relationship with the offshore oil and gas industry, in particular, means it has played an important role in supporting the development and deployment of this vital industry and in planning for its future growth. The NSTA has met Recommendation five, as outlined in the 2019 Oil and Gas Authority Review, providing ongoing input to assist with CCUS policy development across a number of topics, as outlined below.

## **Decommissioning and re use of infrastructure**

60. The NSTA has supported DESNZ's work to define the roles and responsibilities of regulatory bodies and the functions they will perform in the decommissioning regime of the CCUS sector. This includes the NSTA providing technical advice to the Offshore Petroleum Regulator for the Environment and Decommissioning (OPRED), when verifying the decommissioning estimate that will inform calculation of the allowed revenue that will be received by Transport and Storage Companies (T&SCos) under the economic regulatory regime.

61. The NSTA's access to information about existing infrastructure in the UKCS has also enabled it to support work on developing the government's

approach to repurposing of assets for CCUS. The NSTA has identified assets that could offer meaningful financial savings for T&SCos if they were to be repurposed. It continues to develop this work by exploring the repurposing potential of assets against other criteria, such as technical specification and commercial viability.

## Offshore CO<sub>2</sub> Storage

62. The NSTA is well positioned to assess the CO<sub>2</sub> storage potential on the UKCS. In the last three years, the NSTA has issued five CO<sub>2</sub> storage licences. On 14 June 2022, the NSTA launched the UK's first ever carbon storage licensing round with 13 areas of potential available. The round was opened in response to government targets and significant commercial interest. The new carbon storage areas, alongside the six licences which have been issued previously by the NSTA, could have the ability to make a significant contribution towards the aim of storing 20-30 million tonnes of carbon dioxide (CO<sub>2</sub>) by 2030, once the new sites are in operation. The NSTA will now evaluate the bids with a view to awarding licenses in early 2023. The carbon storage licensing round is likely to be the first of many as



many more stores could be needed for the UK to meet the net zero target by 2050<sup>7</sup>.

63. The NSTA has access to significant data and evidence-based interpretations, and knowledge and expertise, extrapolated mainly from the petroleum industry, which can be drawn upon when making meaningful CO<sub>2</sub> storage estimates. DESNZ has sought input from the NSTA and other stakeholders to form a view of the subsurface carbon storage potential on the UKCS. This includes establishing a robust understanding of areas that may be critical for carbon storage to enable a strategic approach to prioritisation. This work is critical analysis and is a key input for carbon storage into the ongoing cross-government Marine Spatial Prioritisation (MSPri) programme. The MSPri programme aims to build our understanding of future demands, optimise use of our seas, maximise co-location between all seas uses and balance the needs of industries with restoring and protecting the marine environment.

---

7 <https://www.nstauthority.co.uk/news-publications/news/2022/carbon-storage-licensing-round-attracts-26-bids/>

64. During the review period, an Offshore Wind and CCUS Co-location Forum has been established<sup>8</sup>. This multi organisational forum involves detailed engagement with industry and other stakeholders (including the NSTA) to identify key challenges and opportunities associated with the co-location and co-existence of Offshore Wind and CCUS infrastructure, as well as solutions to help make this a reality where needed. The Forum brings together the offshore wind and CCUS industries to provide strategic coordination of co-location research and activity and help maximise the potential of the seabed for these two critical activities.

## **CCUS Business Models**

65. During the past three years, the NSTA has also supported DESNZ in its development of CCUS Business Models. DESNZ launched its review of Delivery and Investment Frameworks in 2019 and has since developed distinct models for power carbon capture, industrial carbon capture and for CO<sub>2</sub> transport and storage networks.
66. The NSTA has provided technical advice to support in relation to the regulation of the offshore infrastructure

---

8 <https://www.thecrownestate.co.uk/en-gb/media-and-insights/news/in-pursuit-of-net-zero-new-forum-to-unlock-co-location-opportunities-for-ccus-and-offshore-wind/>

along with advice on technical and commercial risks associated with the design, construction and operation. The NSTA has also taken a leading role in engagement with the insurance market regarding managing risks associated with the storage complex. The NSTA has also supported the development of the legislation associated with implementing the TRI-model.

# Annex A – Basis of the NSTA Review

1. The Energy Act 2016 (the Act) mandates that the Secretary of State must review the OGA's performance every three years, beginning on the day on which Section 1 of the Act comes into force. Section 1 of the Act came into force over two dates in May and July 2016. This review considers the NSTA over a three-year period subsequent to the initial review, commencing May 2019.
2. The Act is clear that this review must assess how effective the NSTA has been in exercising its functions, and consider the NSTA's functions in relation to offshore petroleum, and the storage of carbon dioxide with regard to their fitness for purpose and scope. Should there be cause during the course of the review to consider NSTA functions and legislative base in new or expanding areas, the review will look at those.
3. This review is the second review of the NSTA and will seek assurance that the organisation is a well governed, effective and efficient organisation. This review has been designed to meet the statutory requirements within the Act, alongside meeting the requirements contained within the Cabinet

Office's 'Guidance on the undertaking of Reviews of Public Bodies'<sup>9</sup>.

4. The Cabinet Office ALB Review guidance sets out the following overarching objectives for a review:
  - An ALB review must first and foremost assure the public, ministers and the Principal Accounting Officer (PAO) that the ALB's function remains useful and necessary.
  - A review should assess whether there are more efficient and effective alternatives to deliver the government's objectives.
  - An ALB review should result in recommendations that address these questions. Recommendations should be tangible and provide assurance to ministers and the public that the ALB is best placed to deliver the government's objectives.
5. The Cabinet Office guidance confirms that, where a self-assessment demonstrates that either the ALB and the department are in sufficiently good health or that the identified issues can be managed through proportionate actions, then the outcome of the self-assessment is sufficient to count as a completed ALB Review.

---

9 <https://www.gov.uk/government/publications/public-bodies-review-programme/guidance-on-the-undertaking-of-reviews-of-public-bodies>

6. To assist in making this decision, the Cabinet Office self-assessment template contains a data completion tool, which considers the minimum requirements expected ('majors') and best practice / continuous improvement areas ('minors'), which correspond with the 'shalls' and 'shoulds' outlined in the Public Body Review Requirements.

# Annex B – Functions of the NSTA

## Relevance to the Review

Section 16(4) of the Energy Act 2016 states that a review of the NSTA must consider how effective the NSTA has been in exercising its functions and, in particular, whether the NSTA's functions relating to offshore petroleum and storage of carbon dioxide remain appropriate for the NSTA.

The list below summarises the legislative functions of the NSTA. As well as these legislative functions, the review will take account of matters that might require a change to the NSTA's functions (such as onshore, supply chain, the global energy transition and others).

# High-level Summary of the NSTA's Legislative Functions

1.	<p><b>Develop OGA (now NSTA) Strategy</b></p> <ul style="list-style-type: none"> <li>• Produce one or more strategies to enable the principal objective of maximising the economic recovery petroleum under UK waters to be met, including as a result of increased collaboration between relevant persons (the 'Principal Objective').</li> <li>• The revised OGA Strategy came into force in February 2021. It requires that the NSTA and relevant persons (including petroleum licence holders, operators appointed pursuant to petroleum licences and owners of upstream petroleum infrastructure): <ul style="list-style-type: none"> <li>“must, in the exercise of their relevant activities, take the steps necessary to: <ul style="list-style-type: none"> <li>a. secure that the maximum value of economically recoverable petroleum is recovered from the strata beneath relevant UK waters; and, in doing so,</li> <li>b. take appropriate steps to assist the Secretary of State in meeting the net zero target, including by reducing as far as reasonable in the circumstances greenhouse gas emissions from sources such as flaring and venting and power generation, and supporting carbon capture and storage projects.”</li> </ul> </li> </ul> </li> <li>• The Strategy includes further detail regarding the actions and behaviours which relevant persons must adopt when carrying out activities in the UK Continental Shelf in order to support the delivery of the Principal Objective including in respect of: <ul style="list-style-type: none"> <li>• exploration (including seismic and drilling activity);</li> <li>• development (including the commissioning and constructing of infrastructure);</li> <li>• ongoing asset stewardship and maintenance;</li> </ul> </li> </ul>
----	---



	<ul style="list-style-type: none"> <li>• the deployment and development of appropriate technologies; and</li> <li>• decommissioning of oil and gas infrastructure.</li> <li>• Under the strategy, the NSTA has introduced new expectations about how North Sea oil and gas assets will be managed in the least polluting way.</li> </ul>
<b>2.</b>	<p><b>Regulation and licensing of petroleum exploration and production (onshore and offshore)</b></p> <ul style="list-style-type: none"> <li>• Issuing exploration and production licences conferring rights to “search for” and/or “bore for and get petroleum” (pursuant to terms and conditions provided for in Model Clauses as provided for in secondary legislation made under the Petroleum Act 1998, subject to any conditions which the OGA considers appropriate).</li> <li>• Exercise of related functions including: <ul style="list-style-type: none"> <li>• inviting applications in respect of competitive licensing rounds;</li> <li>• authorising out of round petroleum licence applications; and</li> <li>• assessing the financial and technical capability of applicants (amongst other licence criteria).</li> </ul> </li> <li>• Oversight and enforcement of licence terms including in relation to: <ul style="list-style-type: none"> <li>• the drilling, completion, suspension or abandonment of wells;</li> <li>• the approval of work programmes and development and production programmes;</li> <li>• the flaring or venting of hydrocarbons during the course of production;</li> <li>• a proposed assignment of licence interests or a change of control event;</li> <li>• collection of consideration due; and</li> <li>• the revocation, determination or extension of a licence.</li> </ul> </li> </ul>

	<ul style="list-style-type: none"> <li>• Compliance with licensing requirements provided for in the Offshore Petroleum Activities (Conservation of Habitats) Regulations 2001, the Offshore Petroleum Production and Pipe-lines (Assessment of Environmental Effects) Regulations 1999 and the Offshore Petroleum Licensing (Offshore Safety Directive) Regulations 2015 (as appropriate).</li> </ul>
<p><b>3.</b></p>	<p><b>Regulation and licensing of carbon dioxide storage</b></p> <ul style="list-style-type: none"> <li>• Licensing and regulation of carbon dioxide storage (pursuant to terms and conditions provided for in Model Clauses as provided for in secondary legislation made under the Energy Act 2008, subject to any conditions which the OGA consider appropriate).</li> <li>• Oversight and enforcement of licence and storage permit terms including in relation to, amongst other things:             <ul style="list-style-type: none"> <li>• the approval of monitoring and post-closure plans;</li> <li>• the provision of financial security in respect of the obligations of the licence holder;</li> <li>• inspections and the appointment of inspectors; and</li> <li>• the review, modification or revocation of a licence or storage permits.</li> </ul> </li> <li>• Provision of information to the Secretary of State to enable a public register of carbon dioxide storage licences and permits as well as closed storage sites and surrounding storage complexes to be maintained.</li> <li>• Having continued regard to the development and use of facilities for the storage of carbon dioxide when exercising relevant functions and continuing to work with government, industry and other relevant stakeholders to identify promote the development of carbon dioxide storage in order to contribute to the Principal Objective.</li> </ul>

4.	<p><b>Regulation and licensing of gas storage and unloading</b></p> <ul style="list-style-type: none"> <li>• Licensing and regulation of gas storage and unloading (pursuant to terms and conditions provided for in Model Clauses as provided for in secondary legislation made under the Energy Act 2008, subject to any conditions which the OGA consider appropriate).</li> <li>• Oversight and enforcement of licence terms including in relation to, amongst other things: <ul style="list-style-type: none"> <li>• the commencement of drilling, completion, suspension or abandonment in respect of a well;</li> <li>• the approval of work programmes and development plans;</li> <li>• the appointment of an operator; and</li> <li>• the transfer, revocation, determination or extension of a licence.</li> </ul> </li> </ul>
5.	<p><b>Pipeline works authorisations (PWAs)</b></p> <ul style="list-style-type: none"> <li>• Considering and, where appropriate, consenting: <ul style="list-style-type: none"> <li>• the construction and use of pipelines in, under or over controlled waters;</li> <li>• the right of an applicant to make use of a pipeline in respect of which it is not the owner; and</li> <li>• the compulsory modification of a pipeline.</li> </ul> </li> <li>• Determination of issues arising in respect of the Framework Agreement concerning cross-boundary petroleum cooperation between the UK and Norway.</li> </ul>
6.	<p><b>Third-party access to upstream petroleum infrastructure</b></p> <ul style="list-style-type: none"> <li>• Considering and, where appropriate, consenting: <ul style="list-style-type: none"> <li>• the right of an applicant to make use of upstream petroleum infrastructure in respect of which it is not the owner; and</li> <li>• the compulsory modification of upstream petroleum infrastructure.</li> </ul> </li> </ul>

7.	<p><b>Decommissioning</b></p> <ul style="list-style-type: none"> <li>• Serving cessation of production and plugging and abandonment notices pursuant to petroleum licences.</li> <li>• Issuing directions in connection with the plugging and abandonment of wells pursuant to section 45A of the Petroleum Act 1998.</li> <li>• Acting as consultee in connection with ‘abandonment programmes’ to be submitted to the Secretary of State under the Petroleum Act 1998, in which capacity the OGA is required to have regard to: <ul style="list-style-type: none"> <li>• alternatives to abandoning or decommissioning (including re-use); and</li> <li>• the means by which the cost of carrying out the programme may be kept to the minimum reasonably practicable.</li> </ul> </li> </ul>
8.	<p><b>Exercise of further regulatory powers</b></p> <p><i>Data and information samples</i></p> <ul style="list-style-type: none"> <li>• Exercise of the power to, where appropriate: <ul style="list-style-type: none"> <li>• require information or samples for the purpose of carrying out functions of the OGA relevant to the fulfilment of the Principal Objective or which relate to activities carried out under a carbon dioxide storage licence;</li> <li>• consider and approve information and samples plans required in connection with the occurrence of an offshore petroleum licence event (including the transfer, revocation, expiration or surrender of a licence in whole or in part).</li> </ul> </li> <li>• Data and information management in accordance with relevant data management obligations, including in connection with the Oil and Gas Authority (Offshore Petroleum) (Disclosure of Protected Material after Specified Period) Regulations 2018 and the information disclosure provisions provided for in the Energy Act 2016.</li> <li>• Acting in its capacity as representative for the government of the United Kingdom, disclosure of information for the purpose of giving effect to a relevant treaty or international agreement.</li> </ul>

*Consideration of disputes*

- Discretionary power to attend meetings between relevant persons relating to the fulfilment of the Principal Objective or activities carried out in connection with an offshore petroleum licence (or require a written summary of the meeting and decisions taken as appropriate).
- Discretionary power to accept, reject or adjourn a reference made by a relevant person in respect of a dispute relating to the fulfilment of the Principal Objective or activities carried out pursuant to an offshore petroleum licence. Consider and issue recommendations in relation to qualifying disputes as appropriate.

*Fees and funding*

- Charge fees in relation to certain services provided by the OGA to the oil and gas industry and administer a levy on petroleum licence holders, in accordance with the terms of Energy Act 2016 and relevant legislation made pursuant to it.

**9. Enforcement of penalties and sanctions and other functions**

- Issue sanctions notices as appropriate, including in circumstances in which a relevant person has failed to comply with:
  - a duty to act in accordance with the Strategy for the purposes of enabling the Principal Objective to be met;
  - a term or condition of an offshore petroleum licence; or
  - a requirement imposed by the OGA under the Energy Act 2016, including in relation to the provision of information and samples and/or disputes and meetings between relevant persons.
- Sanctions notices may direct the relevant person to comply with the obligation which has been breached; impose a financial penalty in consequence of a breach (of up to £1m); revoke a licence; or require the removal of an operator appointed pursuant to a licence.
- Issue guidance as to the matters which the OGA will have regard to when determining the amount of financial penalty to be imposed in connection with a sanctions notice.
- Comply with directions of the Secretary of State made pursuant to section 9 of the Energy Act 2016.



If you need a version of this document in a more accessible format, please email [alt.formats@beis.gov.uk](mailto:alt.formats@beis.gov.uk). Please tell us what format you need. It will help us if you say what assistive technology you use.